CPP ANNUAL USE OF CAPITAL SURVEY - 2010

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Union Bank & Trust Company

Point of Contact:	June Manning	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	1150	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	6,191,000	FDIC Certificate Number: (For Depository Institutions)	58245
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	N/A	City:	Oxford
Date Repaid[1]:	N/A	State:	North Carolina

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

X **Increase lending or reduce lending less than otherwise would have occurred.**

From January 1, 2010 through December 31, 2010, the Bank grew total loans by 12.3%.

X **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The Bank primarily grew small business loans and real estate loans.

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☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☐ **Reduce borrowings.**

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☐ **Increase charge-offs.**

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Because of the capital infusion of CPP funds, the Bank was able to avoid slowing loan growth during 2010. The Bank experienced loan growth of 12.3% from January 1 through December 31, making credit-worthy loans to credit-worthy borrowers. The Bank was also able to avoid any significant reduction in capital ratios. The tier 1 leverage ratio increased from 10.42% at December 31, 2009 to 10.87% at December 31, 2010. The tier 1 risk-based capital ratio decreased slightly from 14.60% at December 31, 2009 to 14.56% at December 31, 2010. Total risk-based capital ratio decreased slightly from 15.86% at December 31, 2009 to 15.81% at December 31, 2010.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The Bank was able to maintain and increase loan production in our markets during 2010, increasing loan growth by 12.3%.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The Bank was also able to maintain its capital position to ensure stability for customers and the communities served. The Bank remains well-capitalized. As of December 31, 2010, the tier 1 leverage ratio was 10.87%, the tier 1 risk-based capital ratio was 14.56%, and the total risk-based capital ratio was 15.81%. CPP funding allows the Bank to plan for new capital as the markets will allow and ultimately repay the CPP funds.